



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/524,189	03/13/2000	Forrest N. Krutter	10106/4	6269
757	7590	07/16/2004	EXAMINER	
BRINKS HOFER GILSON & LIONE P.O. BOX 10395 CHICAGO, IL 60610			PASS, NATALIE	
			ART UNIT	PAPER NUMBER
			3626	

DATE MAILED: 07/16/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/524,189

Applicant(s)

KRUTTER ET AL.

Examiner

Natalie A. Pass

Art Unit

3626

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 15 April 2004.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-11 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-11 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☐ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____.
- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

Notice to Applicant

1. This communication is in response to the amendment filed 15 April 2004. Claims 1, 2, 4, and 10 have been amended. Claims 1-11 remain pending.

Specification

2. The objections to the amendment of 13 August 2003 under 35 U.S.C. 132 because of the introduction of new matter is hereby withdrawn due to the amendment filed 15 April 2004.

Claim Rejections - 35 USC § 112

3. The rejection of claims 1-11 under 35 U.S.C. 112, first paragraph, for containing subject matter which was not adequately described in the specification is hereby withdrawn due to the amendment filed 15 April 2004.

Claim Rejections - 35 USC §101

4. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requires of this title.

5. Claims 1-11 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The basis of this rejection is set forth in a two-prong test of:

- (1) whether the invention is within the technological arts; and
- (2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory subject matter. For a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts.

In the present case, claims 1-11 only recite abstract ideas. The recited claims detailing the steps of estimating values, guaranteeing payment, receiving assets, and determining shortfalls do not apply, involve, use, or advance the technological arts since all of the recited steps can be performed in the mind of the user or by use of a pencil and paper. These steps only constitute different parts of a method of paying an insolvent insurance company's liabilities.

In this regard the Examiner notes that although claim 1 recites a computer and storing values in electronic readable format, which are included in the technological arts, the computer usage is interpreted as merely storing data which is to be read or outputted by a computer without any functional interrelationship, and thus does not impart functionality to the computer,

rendering it an example of non-functional descriptive material per se; furthermore, the remainder of the claim limitations of claims 1-9 fail to apply, involve, use, or advance the technological arts.

Moreover, the Examiner notes that although claim 10 recites a software method and storing the payment rate in electronic readable format, which are included in the technological arts, these recitations are interpreted as merely storing data which is to be read or outputted by a computer without any functional interrelationship, and thus does not impart functionality to the computer, rendering it an example of non-functional descriptive material per se; furthermore, the remainder of the claim limitations of claims 10-11 fail to apply, involve, use, or advance the technological arts.

As to technological arts recited in the preamble, mere recitation in the preamble (i.e., intended or field of use) or mere implication of employing a machine or article of manufacture to perform some or all of the recited steps does not confer statutory subject matter to an otherwise abstract idea unless there is positive recitation in the claim as a whole to breathe life and meaning into the preamble. Regarding the body of the claims, mere intended or nominal use of a component, albeit within the technological arts, does not confer statutory subject matter to an otherwise abstract idea if the component does not apply, involve, use, or advance the underlying process. The steps performed in claims 10-11 for a software method can be performed in an equivalent manner by hand and paper and the inventive features as suggested by Applicant in the specification, the use of an indemnifying agent and determining a specified or fixed payment, do not strictly require use of a computer or any technological art.

Art Unit: 3626

Although the recited process produces a useful, concrete, and tangible result, since the claimed invention, as a whole, is not within the technological arts as explained above, claims 1-11 are deemed to be directed to non-statutory subject matter.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-9 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al., U.S. Patent Number 5, 704, 045 in view of Schwab, S., "Reinsurer Liability For Contingent Claims," The International Journal Of Insurance Law 1997, Vol 4, pp 28-39; 175-178, hereinafter known as Schwab, and further in view of Finance And Foreign Exchange, Insurance Law of the Peoples Republic of China, URL: <<http://www.ningbo-export.com/enexport/pr/finance3.html>>, hereinafter known as ILPRC for substantially the same reasons given in the previous Office Action (paper number 9). Further reasons appear hereinbelow.

(A) The amendment to claims 1-2, and 4 appear to have been made merely to correct minor typographical or grammatical errors and to correct rejections under 35 U.S.C. 112, first paragraph. While these changes attempt to render the language of the claims smoother and more

consistent, they otherwise affect neither the scope and breadth of the claims as originally presented nor the manner in which the claims were interpreted by the Examiner when applying prior art within the previous Office Action.

As such, the recited claimed features are rejected for the same reasons given in the prior Office Action (paper number 9, section 8, pages 5-9), and incorporated herein.

(B) Claims 3 and 5-9 have not been amended and are rejected for the same reasons given in the previous Office Action (paper number 9, section 8, pages 7-10), and incorporated herein.

8. Claims 10-11 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hammond et al., U.S. Patent Number 5, 712, 984 in view of King et al., U.S. Patent Number 5, 704, 045 for substantially the same reasons given in the previous Office Action (paper number 9). Further reasons appear hereinbelow.

(A) The amendment to claim 10 appears to have been made merely to correct minor typographical or grammatical errors and to correct rejections under 35 U.S.C. 112, first paragraph. While these changes attempt to render the language of the claim smoother and more consistent, they otherwise affect neither the scope and breadth of the claim as originally presented nor the manner in which the claim was interpreted by the Examiner when applying prior art within the previous Office Action.

Art Unit: 3626

As such, the recited claimed features are rejected for the same reasons given in the prior Office Action (paper number 9, section 9, pages 10-13), and incorporated herein.

(B) Claim 11 has not been amended and is rejected for the same reasons given in the previous Office Action (paper number 9, section 9, pages 10-13), and incorporated herein.

Response to Arguments

9. Applicant's arguments filed 15 April 2004 have been fully considered but they are not persuasive. Applicant's arguments will be addressed hereinbelow in the order in which they appear in the responses filed 15 April 2004.

(A) At pages 5-6 of the 15 April 2004 response, Applicant argues that the limitations introduced in the amendment of 13 August 2003 did not introduce new matter into the specification, and points to support for the newly added limitations in the originally filed specification. Examiner thanks Applicant for this argument and has canceled the objection and rejection under 35 U.S.C. 112, first paragraph.

(B) At pages 6-10 of the 15 April 2004 response, Applicant argues that the limitations of claims 1-9 are not taught or suggested by the applied references. In response, all of the limitations which Applicant disputes are missing in the applied references, including the newly amended limitations, have been fully addressed by the Examiner as either being fully disclosed

or obvious in view of the teachings of King, Schwab, ILPRC, and Hammond, based on the logic and sound scientific reasoning of one ordinarily skilled in the art at the time of the invention, as detailed in the 35 USC § 103 rejections given in the preceding sections of the present Office Action and in the prior Office Action (paper number 9), and incorporated herein.

With respect to Applicant's argument at pages 6-7 of the 15 April 2004 response that the applied reference fails to disclose "receiving at least a portion of the assets of the insolvent Insurance Company, including rights to the insolvent Insurance Company's reinsurers' obligations associated with the liabilities", as recited in claim 1 (c), it is respectfully submitted that Applicant ignores the clear and unmistakable teachings of King with respect to the ability to "transfer assets collectively or individually allocated to such reserves to the custody of government approved fiduciary parties" (King; see at least column 7, line 8 to column 8, line 67). In addition, Examiner notes that, Applicant fails to consider the entire paragraphs noted and focuses on only two lines within the paragraphs, taking them out of context. Furthermore it is the combined applied references, and not merely two lines within one reference that teach Applicant's limitations.

With respect to Applicant's argument at page 7 of the 15 April 2004 response that the applied references fail to disclose "guaranteeing the payment of a fixed dividend", as recited in claim 1 (b), Examiner interprets Schwab's teaching of the final dividend plan issued by the courts together with protecting the interests of claimants, abbreviating the delay in paying claimants, reducing administrative expenses and lightening the burden of insolvency as reading on this limitation (Schwab; see at least page 176, lines 5-44). In addition, it is respectfully submitted that Appellant is not the first to have invented guaranteeing the payment of a fixed dividend, and

that this feature existed in the art prior to Appellant's invention, and thus would have been within the knowledge of the skilled artisan. The issue at hand is not whether the applied references specifically teaches the features (e.g., guaranteeing the payment of a fixed dividend or payment to claimants or insureds of the insolvent Insurance Company) recited by Appellant, *per se*, but rather, whether or not the prior art, when taken in combination with the knowledge of average skill in the art, would put the artisan in possession of the features as claimed. With regard to this issue, the courts have held that even if a patent does not specifically disclose a particular element, said element being within the knowledge of a skilled artisan, the patent taken in combination with that knowledge, would put the artisan in possession of the claimed invention. *In re Graves*, 36 USPQ 2d 1697 (Fed. Cir. 1995).

At pages 6-9 of the 15 April 2004 response, Applicant analyzes the applied references separately and argues each of the references individually.

In response to Applicant's arguments against the references individually, one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986). In addition, the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981).

Art Unit: 3626

In response to Applicant's argument that there is no suggestion to combine the references, the Examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992).

And modern case law has clearly and explicitly held that in order for the references to be combined the references need not explicitly teach or suggest every element of the combination as well as how to use such a combination. For example, the Court in *In re Fritch* stated "[The Examiner] can satisfy this burden only by showing some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references. [emphasis added]" *In re Fine*, 837 F.2d 1071, 1074, 5 USPQ 2d 1596, 1598 (Fed. Cir. 1988) (citing *In re Lulu*, 747 F.2d 703, 705, 223 USPQ 1257, 1258 (Fed. Cir. 1988)). Each applied reference does not expressly suggest combination with the other respective references; however, both the Board and the Examiner have shown that motivation for combining the references existed in the prior art. The "modification" referred to in *In re Fritch* involves extensive changes to the primary references. Such is not the case in the present combinations, where all modifications proposed by the Board and the Examiner are taught by the references and that knowledge generally available to one of ordinary skill in the art. Therefore, the combination of references is proper and the rejection maintained.

Furthermore, the Examiner recognizes that references cannot be arbitrarily altered or modified and that there must be some reason why one skilled in the art would be motivated to make the proposed modifications. And although the motivation or suggestion to make modifications must be articulated, it is respectfully submitted that there is no requirement that the motivation to make modifications must be expressly articulated within the references themselves. References are evaluated by what they suggest to one versed in the art, rather than by their specific disclosures, *In re Bozek*, 163 USPQ 545 (CCPA 1969).

The Examiner is concerned that the Applicant apparently ignores the mandate of the numerous court decisions supporting the position given above. The issue of obviousness is not determined by what the references expressly state but by what they would reasonably suggest to one of ordinary skill in the art, as supported by decisions in *In re Delisle* 406 Fed 1326, 160 USPQ 806; *In re Kell, Terry and Davies* 208 USPQ 871; and *In re Fine*, 837 F.2d 1071, 1074, 5 USPQ 2d 1596, 1598 (Fed. Cir. 1988) (citing *In re Lalu*, 747 F.2d 703, 705, 223 USPQ 1257, 1258 (Fed. Cir. 1988)). Further, it was determined in *In re Lamberti et al* 192 USPQ 278 (CCPA) that:

- (i) obvious does not require absolute predictability;
- (ii) non-preferred embodiments of prior art must also be considered; and
- (iii) the question is not express teaching of references but what they would suggest.

According to *In re Jacoby*, 135 USPQ 317 (CCPA 1962), the skilled artisan is presumed to know something more about the art than only what is disclosed in the applied references. In *In re Bode*, 193 USPQ 12 (CCPA 1977), every reference relies to some extent on knowledge of persons skilled in the art to complement that which is disclosed therein. In *In re Conrad* 169

Art Unit: 3626

USPQ 170 (CCPA), obviousness is not based on express suggestion, but what references taken collectively would suggest.

In the instant case, the Examiner respectfully notes that each and every motivation to combine the applied references is accompanied by select portions of the respective reference(s) which specifically support that particular motivation. As such, it is NOT seen that the Examiner's combination of references is unsupported by the applied prior art of record. Rather, it is respectfully submitted that explanation based on the logic and scientific reasoning of one ordinarily skilled in the art at the time of the invention that support a holding of obviousness has been adequately provided by the motivations and reasons indicated by the Examiner, *Ex parte Levengood* 28 USPQ 2d 1300 (Bd. Pat. App. & Inter., 4/22/93).

As such, it is respectfully submitted that Applicant appears to view the applied references separately and in a vacuum, without considering the knowledge of average skill in the art, and further fails to appreciate the breadth of the claim language that is presently recited.

(C) At pages 10-12 of the 15 April 2004 response, Applicant argues that the limitations of claims 10-11 are not taught or suggested by the applied references. In response, all of the limitations which Applicant disputes are missing in the applied references, including the newly amended limitations, have been fully addressed by the Examiner as either being fully disclosed or obvious in view of the teachings of King, Schwab, ILPRC, and Hammond, based on the logic and sound scientific reasoning of one ordinarily skilled in the art at the time of the invention, as detailed in the 35 USC § 103 rejections given in the preceding sections of the present Office Action and in the prior Office Action (paper number 9), and incorporated herein.

With respect to Applicant's argument at page 11-12 of the 15 April 2004 response that the applied references fail to disclose "determining the expected amount of the Reinsurer's obligations on the insurance claims for unstated amounts and calculating the present value of the Reinsurer's obligations", as recited in claim 10 (d), Examiner interprets King's teaching of "[t]he reserve management subsystem provides a means of determining the insurer-entity's obligations to policyholders, capital participants, professionals, and other parties", as reading on this limitation (King; column 20, line 64 to column 22, line 22). In addition, it is respectfully submitted that Appellant is not the first to have invented determining the expected amount of the Reinsurer's obligations on the insurance claims for unstated amounts and calculating the present value of the Reinsurer's obligations, and that this feature existed in the art prior to Appellant's invention, and thus would have been within the knowledge of the skilled artisan. The issue at hand is not whether the applied references specifically teaches the features (e.g., determining the expected amount of the Reinsurer's obligations on the insurance claims for unstated amounts and calculating the present value of the Reinsurer's obligations) recited by Appellant, *per se*, but rather, whether or not the prior art, when taken in combination with the knowledge of average skill in the art, would put the artisan in possession of the features as claimed. With regard to this issue, the courts have held that even if a patent does not specifically disclose a particular element, said element being within the knowledge of a skilled artisan, the patent taken in combination with that knowledge, would put the artisan in possession of the claimed invention. *In re Graves*, 36 USPQ 2d 1697 (Fed. Cir. 1995).

Art Unit: 3626

As such, it is respectfully submitted that Applicant appears to view the applied references separately and in a vacuum, without considering the knowledge of average skill in the art, and further fails to appreciate the breadth of the claim language that is presently recited.

Conclusion

10. **THIS ACTION IS MADE FINAL.** See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

11. **Any response to this final action should be mailed to:**

Box AF

Commissioner of Patents and Trademarks
Washington D.C. 20231

or faxed to:

(703) 305-7687.

For formal communications, please mark
"EXPEDITED PROCEDURE".

Art Unit: 3626

For informal or draft communications, please label "PROPOSED" or "DRAFT" on the front page of the communication and do NOT sign the communication.

Hand-delivered responses should be brought to Crystal Park 5, 2451 Crystal Drive, Arlington, VA, Seventh Floor (Receptionist).

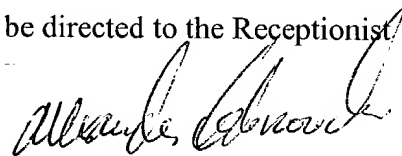
12. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Natalie A. Pass whose telephone number is (703) 305-3980. The examiner can normally be reached on Monday through Thursday from 9:00 AM to 6:30 PM. The examiner can also be reached on alternate Fridays.

13. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas, can be reached at (703) 305-9588. Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the Receptionist whose telephone number is (703) 308-1113.



Natalie A. Pass

July 12, 2004



ALEXANDER KALINOWSKI
PRIMARY EXAMINER